

STATE SENATOR • BUZZ THOMAS • 4TH DISTRICT
Thomas Press Release

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NEWS from
SENATOR BUZZ THOMAS

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SENATE PASSES BILLS EMPOWERING LOCALS TO CUT TAXES
Bills Give Detroit And Other Urban Areas Tools to Strengthen Neighborhoods

LANSING-In an effort to empower Michigan's urban areas and give them the tools to attract residents to their communities, the Michigan Senate today passed three bills that will allow a reduction in the tax rate of homes in certain communities.

"Proposal A was a great tool but unfortunately the unintended consequences is that when people purchased homes in established neighborhoods, the tax cap was removed and there was a substantial increase," said State Senator Buzz Thomas (D-Detroit), the lead sponsor of the bill package. "That, along with a high tax rate in some areas was punitive to new homeowners and was enough to dissuade people from purchasing that home."

Currently, Neighborhood Enterprise Zones (NEZs) are only available for new construction and rehabilitated facilities. These bills would expand NEZs to also include individuals who purchased or will purchase homesteads in subdivisions designated by local governments. Eligible homeowners would be those who purchased the homes after January 1, 1998.

"Michigan will never be strong while our urban areas are weak," Thomas said. "Today, the Michigan Senate gave these communities the tools to rebuild many of their neighborhoods."

Below is an example of the unintended consequences of Proposal A:

(1)

- Detroit's taxable value increased an average of five percent per year from January 1998-January 2003, but
- Its assessable value increased an average of 14 percent per year in that same period.

Therefore, if a family purchased a \$100,000 home in Detroit in 1998 their taxable value would have increased to \$127,628 in January 2003, and their assessable value would have increased to \$192,541 in January 2003.

(2)

Under current law, the person buying this home would pay property taxes based on the new taxable value of \$192,541. Consequently, that person would owe \$5,508 in taxes, which is \$1,857 more than the \$3,651 that the previous owner would have paid.

Under the package of bills that passed the Senate, the person buying this home could receive an NEZ certificate for a “homestead facility.” The certificate could range in duration from 6 to 15 years and drastically cut the new owner’s tax bill.

“This package addresses the unintended consequence by allowing a city to reduce the tax rate so the impact is softened,” Thomas said. “This will encourage residents to remain and a carrot for new neighbors.”

The Senate passed Senate Bills 530 and 529 and House Bill 4540. These bills can be accessed at www.michiganlegislature.org. The package of bills will now go to the House for a concurrence vote.

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